

Senate File 367 - Introduced

SENATE FILE 367

BY MATHIS

A BILL FOR

1 An Act modifying the endow Iowa tax credit to allow the credit
2 for endowment gifts to an endow Iowa scholarship fund, and
3 including retroactive and other applicability provisions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 15E.302, Code 2015, is amended to read
2 as follows:

3 **15E.302 Purpose.**

4 The purpose of this division is to enhance the quality
5 of life for citizens of this state through increased access
6 to higher education by providing scholarships and tuition
7 grants in an effort to reduce higher education costs and debt
8 burdens for the citizens of this state and through increased
9 philanthropic activity by providing capital to new and existing
10 citizen groups of this state organized to establish endowment
11 funds that will address community needs. The purpose of this
12 division is also to encourage individuals, businesses, and
13 organizations to invest in community foundations and endowed
14 scholarship funds.

15 Sec. 2. Section 15E.303, subsection 5, Code 2015, is amended
16 to read as follows:

17 5. "*Endowment gift*" means an irrevocable contribution to an
18 endow Iowa scholarship fund or to a permanent endowment held by
19 an endow Iowa qualified community foundation.

20 Sec. 3. Section 15E.303, Code 2015, is amended by adding the
21 following new subsections:

22 NEW SUBSECTION. 4A. "*Endow Iowa scholarship fund*" means
23 a fund that meets the requirements of section 15E.304A,
24 subsection 2, and that is registered with the authority
25 pursuant to that section.

26 NEW SUBSECTION. 7. "*Qualified postsecondary educational*
27 *institution*" means any of the following:

28 a. A community college established under chapter 260C.

29 b. A nonprofit accredited private institution in this state
30 that meets the requirements in section 261.9, subsection 1,
31 and the requirements of the provisions of the federal Higher
32 Education Act of 1965, as amended, for student participation in
33 the federal interest subsidy program.

34 Sec. 4. NEW SECTION. 15E.304A **Endow Iowa scholarship funds.**

35 1. An entity that establishes a fund meeting all of the

1 requirements of subsection 2 may register the fund with
2 the authority as the endow Iowa scholarship fund of a named
3 qualified postsecondary educational institution. The authority
4 shall not register more than one endow Iowa scholarship fund
5 per qualified postsecondary educational institution.

6 2. An endow Iowa scholarship fund shall meet all of the
7 following requirements:

8 a. The fund shall be a permanent endowment fund.

9 b. The fund shall be established by and under the control of
10 one of the following entities:

11 (1) A qualified postsecondary educational institution.

12 (2) A foundation that is organized under chapter 504, that
13 qualifies under section 501(c)(3) of the Internal Revenue Code
14 as exempt from federal income tax under section 501(a) of the
15 Internal Revenue Code, and that acts solely for the support of
16 a qualified postsecondary educational institution.

17 c. The fund shall be established and used exclusively
18 to provide scholarships or tuition grants to Iowa residents
19 attending the qualified postsecondary educational institution.

20 d. Scholarships and tuition grants shall be awarded and
21 paid exclusively from the earnings of the fund, and such
22 scholarships and tuition grants shall not exceed on an annual
23 basis an amount equal to five percent of the assets of the
24 fund.

25 Sec. 5. Section 15E.305, subsections 1 and 2, Code 2015, are
26 amended to read as follows:

27 ~~1. For tax years beginning on or after January 1, 2003,~~
28 ~~a~~ A tax credit shall be allowed against the taxes imposed in
29 chapter 422, divisions II, III, and V, and in chapter 432,
30 and against the moneys and credits tax imposed in section
31 533.329 equal to twenty-five percent of a taxpayer's endowment
32 gift to an endow Iowa qualified community foundation or to an
33 endow Iowa scholarship fund. An individual may claim a tax
34 credit under this section of a partnership, limited liability
35 company, S corporation, estate, or trust electing to have

1 income taxed directly to the individual. The amount claimed
 2 by the individual shall be based upon the pro rata share of the
 3 individual's earnings from the partnership, limited liability
 4 company, S corporation, estate, or trust. A tax credit shall
 5 be allowed only for an endowment gift made to an endow Iowa
 6 scholarship fund or made to an endow Iowa qualified community
 7 foundation for a permanent endowment fund established to
 8 benefit a charitable cause in this state. The amount of the
 9 endowment gift for which the tax credit is claimed shall not
 10 be deductible in determining taxable income for state income
 11 tax purposes. Any tax credit in excess of the taxpayer's tax
 12 liability for the tax year may be credited to the tax liability
 13 for the following five years or until depleted, whichever
 14 occurs first. A tax credit shall not be carried back to a tax
 15 year prior to the tax year in which the taxpayer claims the tax
 16 credit.

17 2. a. The aggregate amount of tax credits authorized
 18 pursuant to this section for endowment gifts to an endow Iowa
 19 qualified community foundation shall not exceed a total of six
 20 million dollars annually.

21 ~~a.~~ b. The maximum amount of tax credits granted to a
 22 taxpayer for endowment gifts to an endow Iowa qualified
 23 community foundation shall not exceed five percent of the
 24 aggregate amount of tax credits authorized.

25 ~~b.~~ c. Ten percent of the aggregate amount of tax credits
 26 authorized for endowment gifts to an endow Iowa qualified
 27 community foundation in a calendar year shall be reserved for
 28 those endowment gifts in amounts of thirty thousand dollars
 29 or less. If by September 1 of a calendar year the entire ten
 30 percent of the reserved tax credits is not distributed, the
 31 remaining tax credits shall be available to any other eligible
 32 applicants.

33 Sec. 6. Section 15E.305, Code 2015, is amended by adding the
 34 following new subsection:

35 NEW SUBSECTION. 2A. a. The aggregate amount of tax credits

1 authorized pursuant to this section for endowment gifts to an
2 endow Iowa scholarship fund shall not exceed a total of three
3 million dollars annually.

4 *b.* The maximum amount of tax credits granted to a taxpayer
5 for endowment gifts to an endow Iowa scholarship fund shall not
6 exceed two and one-half percent of the aggregate amount of tax
7 credits authorized.

8 *c.* Ten percent of the aggregate amount of tax credits
9 authorized for endowment gifts to an endow Iowa scholarship
10 fund in a calendar year shall be reserved for those endowment
11 gifts in amounts of thirty thousand dollars or less. If by
12 September 1 of a calendar year the entire ten percent of the
13 reserved tax credits is not distributed, the remaining tax
14 credits shall be available to any other eligible applicants.

15 Sec. 7. Section 22.7, subsection 52, paragraph a,
16 unnumbered paragraph 1, Code 2015, is amended to read as
17 follows:

18 The following records relating to a charitable donation made
19 to a foundation acting solely for the support of an institution
20 governed by the state board of regents, to the board of the
21 Iowa state fair foundation when the record relates to a gift
22 for deposit in or expenditure from the Iowa state fairgrounds
23 trust fund as provided in section 173.22A, to a foundation
24 acting solely for the support of an institution governed by
25 chapter 260C, to a private foundation as defined in section
26 509 of the Internal Revenue Code organized for the support of
27 a government body, or to an endow Iowa qualified community
28 foundation, as defined in section 15E.303, organized for the
29 support of a government body, or to an endow Iowa scholarship
30 fund, as defined in section 15E.303:

31 Sec. 8. APPLICABILITY. This Act applies to endowment gifts
32 made to an endow Iowa scholarship fund on or after July 1,
33 2015.

34 Sec. 9. RETROACTIVE APPLICABILITY. This Act applies
35 retroactively to January 1, 2015, for tax years beginning on

1 or after that date.

2 EXPLANATION

3 The inclusion of this explanation does not constitute agreement with
4 the explanation's substance by the members of the general assembly.

5 This bill modifies the types of endowment gifts that
6 qualify for the endow Iowa tax credit. Under current law,
7 the endow Iowa tax credit is available for 25 percent of a
8 taxpayer's endowment gift to an endow Iowa qualified community
9 foundation for a permanent endowment fund established to
10 benefit a charitable cause in this state. The bill allows
11 the tax credit for 25 percent of a taxpayer's endowment gift
12 to an endow Iowa scholarship fund. In order to be an endow
13 Iowa scholarship fund and qualify for the tax credit, a fund
14 must meet several requirements. First, the fund must be a
15 permanent endowment fund. Second, the fund must be established
16 and held by a qualified postsecondary educational institution
17 or a nonprofit, tax-exempt entity acting solely for the
18 support of a qualified postsecondary educational institution.
19 "Qualified postsecondary educational institution" means an Iowa
20 community college or a nonprofit accredited private institution
21 in this state that meets certain requirements specified
22 in the bill. Third, the fund must be established and used
23 exclusively to provide scholarships or tuition grants to Iowa
24 residents attending the qualified postsecondary educational
25 institution. Fourth, the scholarships and tuition grants must
26 be paid exclusively from the earnings of the fund and must not
27 exceed five percent of the fund assets per year. The entity
28 establishing the endow Iowa scholarship fund must register the
29 fund with the economic development authority (EDA), and the EDA
30 shall not register more than one endow Iowa scholarship fund
31 per qualified postsecondary educational institution.

32 In addition to the \$6 million that may be authorized per
33 calendar year under current law for endowment gifts to endow
34 Iowa qualified community foundations, the bill provides that
35 up to \$3 million in tax credits may be authorized per year

1 for endowment gifts to endow Iowa scholarship funds. Of that
2 \$3 million, not more than 2.5 percent (\$75,000) shall be
3 granted to any one taxpayer, and 10 percent (\$300,000) shall be
4 reserved for endowment gifts in amounts of \$30,000 or less. If
5 by September 1 of any calendar year this entire \$300,000 is not
6 distributed, the remaining amount shall be available for any
7 other endowment gift to an endow Iowa scholarship fund.

8 The bill modifies the purpose of the endow Iowa program
9 Act to include as a purpose the increased access to higher
10 education by providing scholarships and tuition grants in an
11 effort to reduce higher education costs and debt burdens for
12 the citizens of Iowa.

13 The bill adds charitable donations made to an endow Iowa
14 scholarship fund to the list of donations for which certain
15 public records shall be kept confidential under Code chapter 22
16 (examination of public records).

17 The bill applies to endowment gifts made to an endow Iowa
18 scholarship fund on or after July 1, 2015. The bill applies
19 retroactively to January 1, 2015, for tax years beginning on
20 or after that date.